

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3230-01  
Bill No.: SB 599  
Subject: Office of Administration; Department of Corrections  
Type: Original  
Date: February 5, 2010

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Bill Summary: Removes the requirement that goods and services be purchased by the state and public institutions from the vocational enterprises program.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
General Revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>	<b>(More than \$100,000)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2011</b>	<b>FY 2012</b>	<b>FY 2013</b>
Working Capital Revolving	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
Various	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 11 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
Federal	(Unknown) to Unknown	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2011	FY 2012	FY 2013
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Office of the Attorney General, Office of Administration – Administrative Hearing Commission, – Division of Budget and Planning, Department of Elementary and Secondary Education, Department of Insurance, Financial Institutions, and Professional Registration, Department of Transportation and Highway Patrol Employees’ Retirement System, Department of Health and Senior Services, Department of Revenue, Department of Public Safety – Missouri State Highway Patrol, – State Emergency Management Agency, – Division of Alcohol and Tobacco Control, – Division of Fire Safety, – Missouri Veterans Commission, – Missouri Gaming Commission, – Director’s Office, Office of the Governor, Missouri Consolidated Health Care Plan, Joint Committee on Administrative Rules, Joint Committee on Public Employee Retirement, Missouri Ethics Commission, Office of the Lieutenant Governor, Missouri House of Representatives, Missouri Senate, Office of the Secretary of State, Office of the State Public Defender, Office of the State Treasurer, State Tax Commission, East Central College, Kansas City Metropolitan Community College, Lincoln University, Linn State Technical College, Missouri Western State University, Northwest Missouri State University, and the University of Missouri** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Coordinating Board for Higher Education** assume the fiscal impact of this change would be minimal and is very difficult to estimate.

Officials from the **Office of Administration – Division of Purchasing and Materials Management** assume they may see a slight increase in the number of bid requests from state agencies for products that were previously purchased from MVE.

Officials from the **Office of State Courts Administrator** assume the proposed legislation would have no fiscal impact on the courts.

Officials from the **Department of Economic Development** assume the proposal could potentially save money if items could be procured elsewhere at a more competitive price.

ASSUMPTION (continued)

Officials from the **Department of Transportation (MoDOT)** assume any fiscal impact is difficult to quantify with a particular dollar amount. According to current statute, “the cost shall not be fixed at more than the market price for like goods and services.” In light of this statement, the cost differential should be relatively small between MVE and the local market. Agency administrators would not be using time to produce, submit, negotiate terms, and track MVE waivers. This would result in staff using this administrative time savings to pursue other agency activities.

Officials from the **Department of Mental Health (DMH)** assume, although the exact amount of fiscal impact cannot be determined, competitive procurement will result in lower prices and cost savings for the DMH.

Officials from the **Department of Natural Resources (DNR)** assume there is the potential for unknown savings as a result of this proposal.

Officials from the **Department of Corrections (DOC)** assume passage of this proposal would have a negative effect on both the Working Capital Revolving (WCR) fund in DOC’s Missouri Vocational Enterprises (MVE) and the General Revenue (GR) fund. There will be a domino effect if this legislation were to pass. A potential reduction in MVE sales could result if this legislation were passed into law. In turn, MVE will be purchasing fewer raw materials from Missouri and other manufacturers.

MVE provides jobs for an average of 1,600 offenders on a daily basis in the production of a vast array of commodities and services. MVE operates 27 industries in 15 institutions. If state agencies or other public entities are not required to purchase these commodities and services from MVE, offender and staff jobs could be lost. Approximately 200 civilian staff supervise these offenders and are paid from the WCR fund, requiring no support from GR. If MVE were forced to close or downsize, the DOC would have to hire additional staff to supervise the offenders who are no longer working. MVE is responsible for the security operations within the factories. Custody officers are assigned to some of the factories, but the primary responsibility lies with MVE staff. If industries were closed, the DOC would be required to hire a like number of employees to fill security positions. The DOC would require an additional GR appropriation to pay salaries and benefits for this staff. This would result in an unknown cost to the state.

ASSUMPTION (continued)

MVE can only sell to tax supported and not-for-profit entities and not on the open market. MVE operates at no cost to the taxpayers of Missouri. Customers are issued waivers to purchase on the open market if products or services cannot be furnished or supplied by MVE. In FY09, MVE helped to enhance the economy by purchasing over \$22,282,000 in supplies and services from private sector companies. Over \$8,291,000 was purchased from Missouri-based companies and an additional \$3,000,000 plus was purchased from companies based in other states but who have manufacturing facilities in Missouri. Private sector jobs could also be jeopardized with a diminished demand for raw materials. The loss of private sector jobs leads to a greater burden on state and federal resources for unemployment benefits as well as a significant reduction in sales and income tax revenues.

The jobs skills learned by these offenders while working in MVE industries prepare them for a successful transition back into the communities from which they came. Offenders who lack well developed job skills tend to have higher recidivism rates than those with job skills. This leads to an increased population growth and the need for a significant increase in the number of custody staff to monitor this segment of population who no longer have jobs. Lower recidivism translates into a cost avoidance for the taxpayer and enhances public safety. Higher recidivism will result in an unknown cost to the state.

All offenders employed by MVE must have a high school diploma or have completed the GED program and the MVE work programs teach offenders good work ethics and transferable job skills, preparing them for a successful transition to society. Reduced idleness in the prisons results in less violence. Approximately 50 offender positions qualify for the U.S. Department of Labor's Apprenticeship Program. To date, MVE has issued over 550 Certificates (recognized by the U.S. Department of Labor) to offenders. MVE also issues 2,000-hour On-The-Job Training Certificates, Computer Literacy Certificates, and Workplace Essential Skills Certificates to offenders.

Interest accrued on MVE sales accounts is payable directly into the General Revenue account, not the Working Capital Revolving Fund.

MVE pays a portion of fuel and utilities within the Department of Corrections. If this bill passes, the DOC would be forced to request an additional \$1.4 million in GR to pay for fuel and utilities currently paid by MVE. This would result in an unknown cost to the state.

In summary, although statewide cost due to the passage of this proposal is Unknown, it is expected to be very significant for both the WCR fund and General Revenue. DOC assumes an cost of (Unknown, exceeding \$100,000) for each of these funds.

BLG:LR:OD (12/02)

ASSUMPTION (continued)

Officials from the **Department of Labor and Industrial Relations (DOLIR)** state the DOLIR does not currently track the cost and/or savings if products were ordered from another vender. DOLIR anticipates an increased amount of staff time will be needed to bid products that are currently purchased directly through MVE. It is not possible to determine whether the bill will create a savings or cost.

Officials from the **Department of Social Services (DOS)** assume this bill will impact purchasing. More goods and services will need to be bid. Right now, the MVE purchasing preference keeps cleaning supplies, furniture, bedding and other products with the MVE vendor. These products could be purchased from other vendors, and if the agency spends more than \$3,000 annually on these products, it is required to bid these purchases out.

Last year, DSS spent more than \$1.4 million with MVE. These purchases would need to be bid out, if this bill were law. In order to bid \$1.4 million worth of goods, the DOS would need one FTE Procurement Officer I (at \$36,612 per year). The Procurement Officer could establish contracts for items in continual use (i.e. cleaning supplies) and bid out one-time purchases (furniture, filing cabinets, etc.). DOS estimates the total cost to be approximately \$60,000 per year. This will impact the General Revenue and Federal funds.

Officials from the **Department of Conservation (MDC)** assume the proposed legislation would have a positive fiscal impact on MDC funds. The exact amount of impact is unknown, but would likely not exceed \$100,000 annually.

Officials from the **Office of the State Auditor (SAO)** assume the impact of this legislation is unknown. It is unknown if the proposal would affect the cost paid for goods currently purchased through the vocational enterprises program by the SAO.

Officials from the **Missouri Southern State University (MSSU)** provided a cost analysis comparing alternative costs for furniture purchased on recent MVE purchase orders. The proposal would result in a savings to MSSU.

Officials from the **Missouri State University** assume the ability to purchase from commercial sources will allow competition for better price, quality, service, warranties, replacement, and product selection. Staff labor will be decreased due to increased end-user satisfaction and because of the ability to utilize commercial sources when needed. Savings will occur in each fiscal year throughout all departments.

ASSUMPTION (continued)

Officials from the **University of Central Missouri** assume the proposal would result in savings of \$5,000 per year resulting from increased capacity to choose low bidder.

**Oversight** assumes state agencies could experience an increase cost of an unknown amount due to the bidding process. Oversight also assumes state agencies could experience savings of an unknown amount due to the decreased cost of goods and services as a result of the bidding process. For fiscal note purposes, Oversight has shown the savings and costs to various state funds.

<u>FISCAL IMPACT - State Government</u>	FY 2011 (10 Mo.)	FY 2012	FY 2013
<b>GENERAL REVENUE FUND</b>			
<u>Savings</u> – Various State Agencies			
Decreased costs due to competition	Unknown	Unknown	Unknown
<u>Losses</u> – Department of Corrections			
Lost MVE revenue	(More than \$100,000)	(More than \$100,000)	(More than \$100,000)
<u>Costs</u> – Various State Agencies			
Increased costs due to bid process	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>	<b><u>(More than \$100,000)</u></b>

FISCAL IMPACT - State Government  
 (continued)

FY 2011  
 (10 Mo.)

FY 2012

FY 2013

**WORKING CAPITAL REVOLVING  
 FUND**

Losses – Department of Corrections

Lost MVE revenue

(More than  
\$100,000)

(More than  
\$100,000)

(More than  
\$100,000)

**ESTIMATED NET EFFECT ON  
 WORKING CAPITAL REVOLVING  
 FUND**

(More than  
\$100,000)

(More than  
\$100,000)

(More than  
\$100,000)

**VARIOUS STATE FUNDS**

Savings – Various State Agencies

Decreased costs due to competition

Unknown

Unknown

Unknown

Costs – Various State Agencies

Increased costs due to bid process

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
 VARIOUS STATE FUNDS**

(Unknown) to  
Unknown

(Unknown) to  
Unknown

(Unknown) to  
Unknown

**FEDERAL FUNDS**

Savings – Various State Agencies

Decreased costs due to competition

Unknown

Unknown

Unknown

Costs – Various State Agencies

Increased costs due to bid process

(Unknown)

(Unknown)

(Unknown)

**ESTIMATED NET EFFECT ON  
 FEDERAL FUNDS**

(Unknown) to  
Unknown

(Unknown) to  
Unknown

(Unknown) to  
Unknown



FISCAL IMPACT - Local Government

FY 2011  
(10 Mo.)

FY 2012

FY 2013

\$0

\$0

\$0

FISCAL IMPACT - Small Business

The proposed legislation could have a positive fiscal impact on small businesses. Small businesses could compete with Missouri Vocational Enterprises on state bids, which could result in increased sales.

FISCAL DESCRIPTION

The proposed legislation removes the requirement that goods and services be purchased by the state and public institutions from the vocational enterprises program.

This legislation is not federally mandated, would not duplicate any other program, and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General

Coordinating Board for Higher Education

Office of Administration

– Administrative Hearing Commission

– Division of Budget and Planning

– Division of Purchasing and Materials Management

Office of State Courts Administrator

Department of Economic Development

Department of Elementary and Secondary Education

Department of Insurance, Financial Institutions, and Professional Registration

Department of Transportation

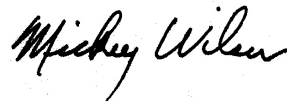
Department of Transportation and Highway Patrol Employees' Retirement System

SOURCES OF INFORMATION (continued)

Department of Mental Health  
Department of Natural Resources  
Department of Corrections  
Department of Health and Senior Services  
Department of Labor and Industrial Relations  
Department of Revenue  
Department of Social Services  
Department of Public Safety  
    – Missouri State Highway Patrol  
    – State Emergency Management Agency  
    – Division of Alcohol and Tobacco Control  
    – Division of Fire Safety  
    – Missouri Veterans Commission  
    – Missouri Gaming Commission  
    – Director's Office  
Office of the Governor  
Missouri Consolidated Health Care Plan  
Joint Committee on Administrative Rules  
Joint Committee on Public Employee Retirement  
Department of Conservation  
Missouri Ethics Commission  
Office of the Lieutenant Governor  
Missouri House of Representatives  
Office of the State Auditor  
Missouri Senate  
Office of the Secretary of State  
Office of the State Public Defender  
Office of the State Treasurer  
State Tax Commission  
East Central College  
Kansas City Metropolitan Community College  
Lincoln University  
Linn State Technical College  
Missouri Southern State University  
Missouri State University

SOURCES OF INFORMATION (continued)

Missouri Western State University  
Northwest Missouri State University  
University of Central Missouri  
University of Missouri

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive style with a large, stylized 'M' and 'W'.

Mickey Wilson, CPA  
Director  
February 5, 2010